



OFFICE OF AUDITOR OF STATE STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 5, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Lee County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$29,070,495 for the year ended June 30, 2020, a less than 1% decrease from the prior year. Expenses for County operations for the year ended June 30, 2020 totaled \$27,263,805, a 2.5% increase over the prior year.

AUDIT FINDINGS:

Sand reported seven findings related to the receipt and expenditure of taxpayer funds and nine findings pertaining to the Lee County EMS Ambulance, Inc. (EMS), a discretely presented component unit of the County. They are found on pages 94 through 107 of this report. The findings address issues such as lack of segregation of duties, material amounts of ambulance receivables and payables not properly recorded in the Lee County EMS Ambulance, Inc. financial statements, lack of reconciliation of ambulance receivables, collections and delinquent accounts, and lack of timely submission of ambulance payroll taxes. Sand provided the County with recommendations to address each of these findings.

Four findings for the County and nine for the discretely presented component unit are repeated from the prior year. The County Board of Supervisors, other elected officials and EMS management have a fiduciary responsibility to provide oversight of the County's and the EMS' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

#

LEE COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Lee County



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Rob Sand
Auditor of State

February 26, 2021

Officials of Lee County
Fort Madison, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Lee County for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Lee County throughout the audit. If I or this office can be of any further assistance, please contact me my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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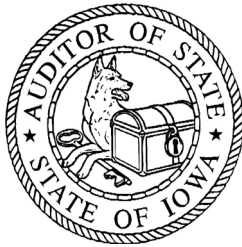
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Lee County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Fedler	Board of Supervisors	Jan 2021
Gary Folluo	Board of Supervisors	Jan 2021
Matt Pflug	Board of Supervisors	Jan 2021
Rich Harlow	Board of Supervisors	Jan 2023
Rick Larkin	Board of Supervisors	Jan 2023
Denise Fraise	County Auditor	Jan 2021
Chris Spann	County Treasurer	Jan 2023
Nancy Booten	County Recorder	Jan 2023
Stacy Weber	County Sheriff	Jan 2021
Ross Braden	County Attorney	Jan 2023
Teresa Murray	County Assessor	(Retired Oct 2019)
Kandie White (Appointed Nov 2019)	County Assessor	Jan 2022



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Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Lee County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County as of June 30, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the discretely presented component unit, Lee County EMS Ambulance, Inc. (EMS), will continue as a going concern. As discussed in note 16 to the financial statements, EMS has suffered losses from operations and has stated that substantial doubt exists about EMS' ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in note 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Note 23 to the financial statements, Lee County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 62 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lee County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2021 on our consideration of Lee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lee County's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lee County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, during fiscal year 2020. The beginning net position for fiduciary (custodial) funds was restated by \$1,769,783 to retroactively report fiduciary funds in accordance with the GASBS.
- Revenues of the County's governmental activities decreased less than 1%, or approximately \$1,000, from fiscal year 2019 to fiscal year 2020. Property tax revenues increased approximately \$987,000, operating grants, contributions and restricted interest increased approximately \$395,000 and capital grants, contributions and restricted interest decreased approximately \$1,130,000.
- Program expenses of the County's governmental activities were 2.5%, or approximately \$666,000, more in fiscal year 2020 than in fiscal year 2019.
- The County's net position increased 3.6%, or approximately \$1,806,000, over the June 30, 2019 balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lee County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Lee County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Lee County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Custodial Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental funds include the 1) General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Proprietary funds account for the County's Internal Service Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Custodial Funds that account for the County Assessor's office, 911 and emergency management services, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2020	2019
Current and other assets	\$ 32,960	30,213
Capital assets	45,454	45,362
Total assets	78,414	75,575
Deferred outflows of resources	2,011	2,271
Long-term liabilities	11,148	12,457
Other liabilities	1,308	1,242
Total liabilities	12,456	13,699
Deferred inflows of resources	15,323	13,307
Net position:		
Net investment in capital assets	42,041	41,452
Restricted	11,427	10,441
Unrestricted	(822)	(1,053)
Total net position	\$ 52,646	50,840

Lee County's total net position increased approximately \$1,806,000, or 3.6%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased approximately \$589,000, or 1.4%, over the prior year.

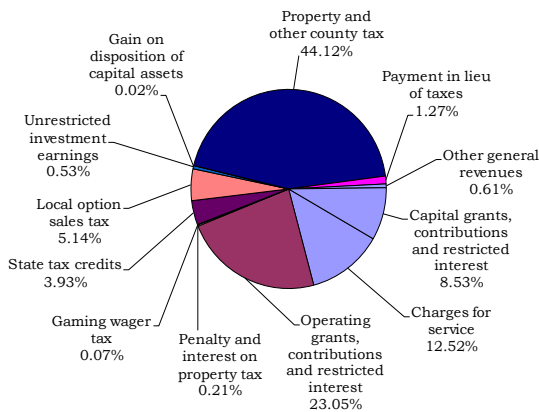
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$986,000, or 9.4%, over the prior year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit balance of approximately \$1,053,000 at June 30, 2019 to a deficit of approximately \$822,000 at the end of this year, an increase of approximately \$231,000. This increase is primarily due to a reduction in net pension liability and pension related deferred outflows and an increase in total OPEB liability and pension related deferred inflows.

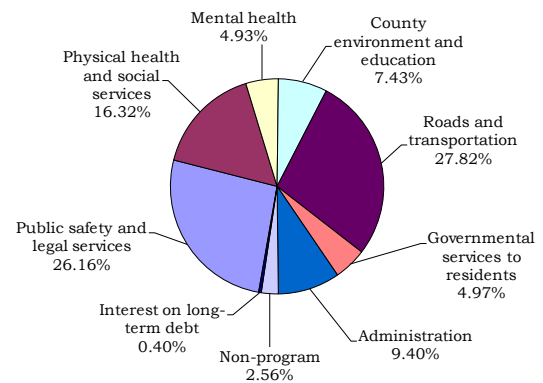
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2020	2019
Revenues:		
Program revenues:		
Charges for service	\$ 3,640	3,827
Operating grants, contributions and restricted interest	6,701	6,306
Capital grants, contributions and restricted interest	2,480	3,610
General revenues:		
Property and other county tax	12,827	11,840
Penalty and interest on property tax	60	173
Gaming wager tax	20	25
State tax credits	1,143	1,174
Local option sales tax	1,493	1,358
Payment in lieu of taxes	370	370
Unrestricted investment earnings	155	130
Gain on disposition of capital assets	5	84
Other general revenues	177	175
Total revenues	29,071	29,072
Program expenses:		
Public safety and legal services	7,133	6,736
Physical health and social services	4,451	4,267
Mental health	1,345	1,634
County environment and education	2,025	2,170
Roads and transportation	7,586	7,247
Governmental services to residents	1,354	1,205
Administration	2,563	2,443
Non-program	698	766
Interest on long-term debt	110	131
Total expenses	27,265	26,599
Change in net position	1,806	2,473
Net position beginning of year	50,840	48,367
Net position end of year	\$ 52,646	50,840

Revenue by Source



Expenses by Program



For fiscal year 2020, taxable property valuation increased approximately \$155,081,000 and the tax levy rate remained at \$10.38848 per \$1,000 of taxable valuation. Therefore, property tax revenue increased approximately \$987,000. The total Lee County assessed taxable property valuation for property tax payable in fiscal year 2021 increased approximately \$85,162,000. The tax levy rate is set to increase to \$10.67038 per \$1,000 of taxable valuation. Property tax revenue is budgeted to increase approximately \$1,290,000 next year.

The cost of all governmental activities this year was approximately \$27.3 million compared to approximately \$26.6 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$14.4 million because some of the cost was paid by those who directly benefited from the programs (approximately \$3.6 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$9.2 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased from approximately \$13.7 million in fiscal year 2019 to approximately \$12.8 million in fiscal year 2020, principally due to a decrease in capital grants for roads and transportation. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$16 million of taxes and other revenues, such as interest.

INDIVIDUAL MAJOR FUND ANALYSIS

As Lee County completed the year, its governmental funds reported a combined fund balance of \$14,890,149 which is more than the \$13,839,269 combined fund balance at the end of fiscal year 2019. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

The General Fund ended fiscal year 2020 with an ending balance of \$6,494,999, compared to the prior year ending balance of \$5,705,682, an increase of \$789,317. Revenues increased \$459,154, or 2.8%, primarily due to an increase in property taxes. Expenditures increased \$832,664, or 5.5%, to \$15,900,431 in fiscal year 2020. Public safety and legal services function expenditures increased \$400,946 due primarily to increases in uniform patrol services and emergency management.

The Special Revenue, Mental Health Fund ended fiscal year 2020 with an ending balance of \$389,193 compared to the prior year ending balance of \$1,542,417 a decrease of \$1,153,224. Revenues increased \$39,663 due primarily to a distribution from the Mental Health Region. Expenditures decreased \$272,576, due to a decrease in distributions to the Mental Health Region.

The Special Revenue, Rural Services Fund ended fiscal year 2020 with an ending balance of \$1,348,683 compared to the prior year ending balance of \$1,372,286, a decrease of \$23,603. Revenues increased \$626,645, or 24.7%, over the prior year, due primarily to an increase in property tax revenue. Expenditures decreased \$21,793, due primarily to decreased public safety and legal services expenditures.

The Special Revenue, Secondary Roads Fund ended fiscal year 2020 with an ending balance of \$5,450,546 compared to the prior year ending balance of \$4,186,444, an increase of \$1,264,102. Revenues increased \$5,546, or less than 1%. Expenditures decreased \$655,055, or 10.4%, due primarily to less capital projects being completed during the fiscal year.

The Debt Service Fund ended fiscal year 2020 with an ending balance of \$80,367 compared to the prior year ending balance of \$116,551, a decrease of \$36,184. Revenues decreased \$72,309 due to a decrease in property tax revenues and expenditures increased \$15,272.

BUDGETARY HIGHLIGHTS

Over the course of the year, Lee County amended its budget once. The amendment was made on May 19, 2020 to increase budgeted receipts for intergovernmental and miscellaneous. The amendment increased budgeted disbursements for the maintenance department, Sheriff's Office, an additional payment for the ambulance service and additional costs in general relief for COVID-19.

The County's receipts were \$1,001,261 less than budgeted, a variance of 3.8%. The County received \$774,200 less in intergovernmental receipts than anticipated in fiscal year 2020.

Total disbursements were \$3,522,406 less than the amended budget, a variance of 12.5%. Actual disbursements for capital projects, roads and transportation and physical health and social services were \$1,330,740, \$1,136,945 and \$392,916, respectively, less than budgeted. This was primarily due to the timing of capital projects being substantially completed after the budget certification, staff turnover in the assistant engineer position and delays in equipment purchases, and the impact of COVID-19 on various physical health services provided.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the County had invested approximately \$45.5 million, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment, transportation equipment and administrative offices. This amount is a net increase of \$92,275 from June 30, 2019.

Lee County had depreciation/amortization expense of approximately \$2.9 million in fiscal year 2020 and total accumulated depreciation/amortization of approximately \$48.5 million at June 30, 2020. Additional information about the County's capital assets is included in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2020, the County had approximately \$4,170,000 of long-term debt outstanding. This represents a decrease of approximately \$801,000 from June 30, 2019.

Outstanding debt decreased as scheduled payments of \$760,000 were made on general obligation bonds and approximately \$71,000 was made on capital lease purchase agreements.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Lee County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$124.4 million. Additional information about the County's long-term debt is included in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Lee County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 8.9% versus 3.7% a year ago. This compares with the State's unemployment rate of 8.0% and the national rate of 11.1%.

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$38.7 million, an increase of approximately \$1,900,000 over the final fiscal year 2020 budget, primarily due to an increase in property and other county tax. Budgeted disbursements are expected to increase approximately \$1,605,000 from the final fiscal year 2020 budget, primarily in the county environment and education and capital projects functions. The County has added no major new programs or initiatives to the fiscal year 2021 budget.

If these estimates are realized, the County's budgetary operating balance is expected to increase approximately \$325,000, or 3.8%, by the close of fiscal year 2021.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the County's citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lee County Board of Supervisors, PO Box 190, Fort Madison, Iowa, 52627-0190.

Basic Financial Statements

Lee County
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 15,427,836
Receivables:	
Property tax:	
Delinquent	330,116
Succeeding year	13,929,000
Interest and penalty on property tax	57,159
Accounts	668,362
Accrued interest	7,764
Loans receivable	200,000
Due from other governments	1,148,291
Inventories	1,129,134
Prepaid expense	62,681
Capital assets, net of accumulated depreciation/amortization	<u>45,454,317</u>
Total assets	<u>78,414,660</u>
Deferred Outflows of Resources	
Pension related deferred outflows	1,796,212
OPEB related deferred outflows	<u>214,818</u>
Total deferred outflows of resources	<u>2,011,030</u>
Liabilities	
Accounts payable	403,895
Accrued interest payable	6,973
Salaries and benefits payable	273,865
Due to other governments	623,692
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	777,000
Capital lease purchase agreement	71,217
Compensated absences	422,357
Total OPEB liability	69,940
Portion due or payable after one year:	
General obligation bonds	3,188,000
Capital lease purchase agreement	104,046
Promissory note	29,932
Compensated absences	79,805
Net pension liability	5,216,581
Total OPEB liability	<u>1,188,708</u>
Total liabilities	<u>12,456,011</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	13,929,000
Pension related deferred inflows	1,371,863
OPEB related deferred inflows	<u>22,297</u>
Total deferred inflows of resources	<u>15,323,160</u>

Lee County
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Net Position	
Net investment in capital assets	42,040,870
Restricted for:	
Nonexpendable:	
Permanent Fund - hospice care	82,500
Expendable:	
Supplemental levy purposes	2,566,099
Mental health purposes	404,845
Rural services purposes	1,337,590
Secondary roads purposes	5,344,738
Conservation land acquisition	205,421
Debt service	94,921
Building repair and maintenance	346,766
Hospice care purposes	217,429
Other purposes	827,607
Unrestricted	<u>(822,267)</u>
Total net position	<u>\$ 52,646,519</u>

See notes to financial statements.

Lee County

Lee County
Statement of Activities
Year ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 7,133,199	889,208	116,703	-	(6,127,288)
Physical health and social services	4,450,540	1,235,081	1,606,873	-	(1,608,586)
Mental health	1,344,914	15,050	80,439	-	(1,249,425)
County environment and education	2,024,521	92,181	542,243	-	(1,390,097)
Roads and transportation	7,585,586	64,948	4,306,395	2,480,229	(734,014)
Governmental services to residents	1,354,164	556,660	37,414	-	(760,090)
Administration	2,563,095	56,106	5,447	-	(2,501,542)
Non-program	697,855	730,282	3,742	-	36,169
Interest on long-term debt	109,931	-	1,701	-	(108,230)
Total	<u>\$ 27,263,805</u>	<u>3,639,516</u>	<u>6,700,957</u>	<u>2,480,229</u>	<u>(14,443,103)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					12,052,717
Debt service					774,039
Penalty and interest on property tax					60,497
Gaming wager tax					20,241
Hotel/motel tax					4,267
State tax credits					1,143,466
Rents					122,931
Local option sales tax					1,492,519
Payment in lieu of taxes					370,000
Unrestricted investment earnings					154,628
Gain on disposition of capital assets					4,875
Miscellaneous					<u>49,613</u>
Total general revenues					<u>16,249,793</u>
Change in net position					1,806,690
Net position beginning of year					<u>50,839,829</u>
Net position end of year					<u>\$ 52,646,519</u>
See notes to financial statements.					

Lee County
Balance Sheet
Governmental Funds

June 30, 2020

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments:			
County Treasurer	\$ 6,134,109	384,822	1,273,279
Component units	-	-	-
Receivables:			
Property tax:			
Delinquent	242,887	32,850	34,881
Succeeding year	9,913,000	1,341,000	1,866,000
Interest and penalty on property tax	57,159	-	-
Accounts	93,622	-	-
Economic development loan	200,000	-	-
Accrued interest	7,028	-	-
Due from other governments	555,549	-	90,783
Inventories	-	-	-
Prepaid items	46,472	-	-
Total assets	\$ 17,249,826	1,758,672	3,264,943
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 236,458	565	4,258
Salaries and benefits payable	200,078	3,338	10,407
Due to other funds	12,885	106	-
Due to other governments	43,193	-	8,601
Total liabilities	492,614	4,009	23,266
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	9,913,000	1,341,000	1,866,000
Other	349,213	24,470	26,994
Total deferred inflows of resources	10,262,213	1,365,470	1,892,994
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Hospice care	-	-	-
Prepaid items	46,472	-	-
Loans receivable	200,000	-	-
Restricted for:			
Supplemental levy purposes	2,531,977	-	-
Mental health purposes	-	389,193	-
Rural services purposes	-	-	1,348,683
Secondary roads purposes	-	-	-
Conservation land acquisition	205,421	-	-
Debt service	-	-	-
Hospice care	-	-	-
Building repair and maintenance (local option sales tax)	346,766	-	-
Other purposes	793	-	-
Unassigned	3,163,570	-	-
Total fund balances	6,494,999	389,193	1,348,683
Total liabilities, deferred inflows of resources and fund balances	\$ 17,249,826	1,758,672	3,264,943

See notes to financial statements.

Revenue			
Secondary Roads	Debt Service	Nonmajor	Total
3,976,996	75,400	401,409	12,246,015
-	-	737,828	737,828
-	19,498	-	330,116
-	809,000	-	13,929,000
-	-	-	57,159
5,085	-	569,655	668,362
-	-	-	200,000
-	23	95	7,146
501,740	-	-	1,148,072
1,125,515	-	-	1,125,515
1,566	-	-	48,038
5,610,902	903,921	1,708,987	30,497,251
100,243	-	8,452	349,976
53,767	-	2,507	270,097
90	-	-	13,081
231	-	571,667	623,692
154,331	-	582,626	1,256,846
-	809,000	-	13,929,000
6,025	14,554	-	421,256
6,025	823,554	-	14,350,256
1,125,515	-	-	1,125,515
-	-	82,500	82,500
1,566	-	-	48,038
-	-	-	200,000
-	-	-	2,531,977
-	-	-	389,193
-	-	-	1,348,683
4,323,465	-	-	4,323,465
-	-	-	205,421
-	80,367	-	80,367
-	-	217,429	217,429
-	-	-	346,766
-	-	826,432	827,225
-	-	-	3,163,570
5,450,546	80,367	1,126,361	14,890,149
5,610,902	903,921	1,708,987	30,497,251

Lee County

Lee County
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2020

Total governmental fund balances (page 21) \$ 14,890,149

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$93,402,427 and the accumulated depreciation/amortization is \$48,102,110.

45,300,317

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

421,256

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position, as follows:

Capital assets of \$592,380, net of accumulated

depreciation/amortization of \$438,380

\$ 154,000

Compensated absences

(8,714)

Total OPEB liability

(12,586)

Net pension liability

(52,166)

Pension and OPEB related deferred outflows

20,110

Pension and OPEB related deferred inflows

(13,942)

Other net position

2,280,308

2,367,010

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources

1,990,920

Deferred inflows of resources

(1,380,218)

610,702

Long-term liabilities, including general obligation bonds payable, capital lease purchase agreements payable, promissory notes, net pension liability, total OPEB liability, accrued interest payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(10,942,915)

Net position of governmental activities (page 17)

\$ 52,646,519

See notes to financial statements.

Lee County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds

Year ended June 30, 2020

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 9,969,389	8,380	1,900,321
Local option sales tax	373,130	-	1,119,389
Interest and penalty on property tax	70,342	-	-
Intergovernmental	4,073,110	23,420	128,615
Licenses and permits	274,135	-	-
Charges for service	1,073,843	15,050	-
Use of money and property	275,723	-	-
Miscellaneous	568,169	-	20,116
Total revenues	16,677,841	46,850	3,168,441
Expenditures:			
Operating:			
Public safety and legal services	6,388,798	-	674,949
Physical health and social services	4,314,754	-	-
Mental health	-	1,200,074	-
County environment and education	1,418,177	-	199,528
Roads and transportation	-	-	-
Governmental services to residents	1,322,897	-	4,083
Administration	2,379,676	-	-
Debt service	-	-	-
Capital projects	76,129	-	-
Total expenditures	15,900,431	1,200,074	878,560
Excess (deficiency) of revenues over (under) expenditures	777,410	(1,153,224)	2,289,881
Other financing sources (uses):			
Sale of capital assets	56	-	-
Transfers in	-	-	-
Transfers out	(18,081)	-	(2,313,484)
Promissory notes issued	29,932	-	-
Total other financing sources (uses)	11,907	-	(2,313,484)
Change in fund balances	789,317	(1,153,224)	(23,603)
Fund balances beginning of year	5,705,682	1,542,417	1,372,286
Fund balances end of year	\$ 6,494,999	389,193	1,348,683

See notes to financial statements.

Revenue			
Secondary Roads	Debt Service	Nonmajor	Total
-	761,784	-	12,639,874
-	-	-	1,492,519
-	-	-	70,342
4,644,341	71,977	224,743	9,166,206
33,425	-	-	307,560
242	-	4,880	1,094,015
-	1,701	65,462	342,886
32,397	-	334,764	955,446
4,710,405	835,462	629,849	26,068,848
-	-	5,313	7,069,060
-	-	101,278	4,416,032
-	-	-	1,200,074
-	-	330,867	1,948,572
5,432,447	-	-	5,432,447
-	-	-	1,326,980
-	-	-	2,379,676
-	871,646	-	871,646
327,340	-	-	403,469
5,759,787	871,646	437,458	25,047,956
(1,049,382)	(36,184)	192,391	1,020,892
-	-	-	56
2,313,484	-	18,081	2,331,565
-	-	-	(2,331,565)
-	-	-	29,932
2,313,484	-	18,081	29,988
1,264,102	(36,184)	210,472	1,050,880
4,186,444	116,551	915,889	13,839,269
5,450,546	80,367	1,126,361	14,890,149

Lee County
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year ended June 30, 2020

Change in fund balances - Total governmental funds (page 25) \$ 1,050,880

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 873,654	
Capital assets contributed by the Iowa Department of Transportation	2,135,142	
Depreciation/amortization expense	<u>(2,858,413)</u>	150,383

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase financial resources. 4,875

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	211,390	
Other	<u>(90,880)</u>	120,510

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issued	(29,932)	
Repaid	<u>796,370</u>	766,438

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 906,402

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(70,121)	
OPEB expense	(106,919)	
Pension expense	(1,202,459)	
Interest on long-term debt	<u>1,715</u>	(1,377,784)

The Internal Service Funds are used by management to charge the costs of various services to individual departments and funds. The change in net position of the Internal Service Funds is reported with governmental activities. 184,986

Change in net position of governmental activities (page 19) \$ 1,806,690

See notes to financial statements.

Lee County
Statement of Net Position
Proprietary Funds

June 30, 2020

	Internal Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,443,993
Receivables:	
Accrued interest	618
Due from other funds	13,130
Due from other governments	219
Inventories	3,619
Prepaid expenses	14,643
Noncurrent assets:	
Capital assets, net of accumulated depreciation/amortization	154,000
Total assets	<u>2,630,222</u>
Deferred Outflows of Resources	
OPEB related deferred outflows	2,148
Pension related deferred outflows	17,962
Total Deferred Outflows of Resources	<u>20,110</u>
Liabilities	
Current liabilities:	
Accounts payable	53,919
Salaries and benefits payable	3,768
Due to other funds	49
Installment purchase agreement payable	34,132
Compensated absences	8,714
Non-current liabilities:	
Installment purchase agreement payable	104,046
Total OPEB liability	12,586
Net pension liability	52,166
Total liabilities	<u>269,380</u>
Deferred Inflows of Resources	
OPEB related deferred inflows	223
Pension related deferred inflows	13,719
Total Deferred Inflows of Resources	<u>13,942</u>
Net Position	
Net investment in capital assets	15,822
Restricted for employee health	2,134,790
Unrestricted	216,398
Total net position	<u>\$ 2,367,010</u>

See notes to financial statements.

Exhibit H

Lee County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2020

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and other governmental units		\$ 3,318,672
Reimbursements from employees and others		329,736
Miscellaneous reimbursements		<u>3,955</u>
Total operating revenues		3,652,363
Operating expenses:		
Medical and health services	\$ 2,966,114	
Salaries and benefits	184,712	
Administrative fees, network access fees and stop-loss premium	62,684	
Supplies, utilities and data processing	186,646	
Maintenance agreements	502	
Non-capitalized equipment	10,767	
Depreciation/amortization	<u>62,983</u>	<u>3,474,408</u>
Operating income		177,955
Non-operating revenues:		
Interest income		<u>7,031</u>
Change in net position		184,986
Net position beginning of year		<u>2,182,024</u>
Net position end of year		<u><u>\$ 2,367,010</u></u>

See notes to financial statements.

Lee County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2020

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and other governmental units	\$ 3,325,813
Cash received from employees and others	336,590
Cash paid to suppliers for services	(3,462,194)
Net cash provided by operating activities	200,209
Cash flows from capital and related financing activities:	
Installment purchase agreement payment	(34,132)
Cash flows from investing activities:	
Interest on investments	6,973
Net increase in cash and cash equivalents	173,050
Cash and cash equivalents beginning of year	2,270,943
Cash and cash equivalents end of year	\$ 2,443,993
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 177,955
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation/amortization expense	62,983
Changes in assets and liabilities:	
Accounts receivable	2,899
Due from other governments	57
Due from other funds	7,084
Inventories	884
Accounts payable	(46,467)
Salaries and benefits payable	1,135
Due to other funds	(117)
Due to other governments	(423)
Prepaid expenses	(12,208)
Compensated absences	2,323
Pension liability	(8,371)
Deferred outflows of resources	2,632
Deferred inflows of resources	7,283
Total OPEB liability	2,560
Net cash provided by operating activities	\$ 200,209

See notes to financial statements.

Lee County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2020

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 4,509,409
Other County officials	253,639
Property tax receivable:	
Delinquent	916,508
Succeeding year	34,392,900
Accounts receivable	92,079
Accrued interest	613
Special assessments	346,521
Drainage Assessment	35,678
Due from other governments	368
Prepaid insurance	3,577
Total assets	<u>40,551,292</u>

Liabilities

Accounts payable	42,893
Salaries and benefits payable	40,249
Due to other governments	3,023,494
Trusts payable	222,304
Compensated absences	45,548
Drainage bond payable	403,344
Total liabilities	<u>3,777,832</u>

Deferred Inflows of Resources

Unavailable revenues	<u>34,392,900</u>
Total net position	<u>\$ 2,380,560</u>

See notes to financial statements.

Lee County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2020

Additions:	
Property and other county tax	\$ 34,799,784
911 surcharge	147,714
State tax credits	3,642,811
Drivers license fees	92,629
Office fees and collections	1,254,115
Auto licenses, use tax and postage	10,248,610
Assessments	283,153
Trusts	3,219,328
Miscellaneous	<u>4,541,949</u>
Total additions	<u>58,230,093</u>
Deductions:	
Agency remittances:	
To other funds	1,400,703
To other governments	52,998,710
Trusts paid out	<u>3,219,903</u>
Total deductions	<u>57,619,316</u>
Change in net position	610,777
Net position beginning of year, as restated	<u>1,769,783</u>
Net position end of year	<u>\$ 2,380,560</u>

See notes to financial statements.

Lee County

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

Lee County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lee County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Lee County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Great River Progressive Housing Corporation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of fostering low-income housing within Lee County. In accordance with criteria set forth by the Governmental Accounting Standards Board, Great River Progressive Housing Corporation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Lee County Economic Development Group has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of encouraging economic development and expansion in Lee County. In accordance with criteria set forth by the Governmental Accounting Standards Board, Lee County Economic Development Group meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Three Rivers Conservation Foundation has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the mission of the Lee County Conservation Board. In accordance with criteria set forth by the Governmental Accounting Standards Board, Three Rivers Conservation Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Friends of the Lee County Health Department (Friends of Public Health) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting and enhancing the health of the public. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends of Public Health meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

Discretely Presented Component Unit

Lee County EMS Ambulance, Inc. (EMS) has been incorporated under the provisions of the Iowa Business Corporation Act to provide ambulance services. The County and EMS have entered into a 28E Agreement as a joint undertaking to assure ambulance services are provided in Lee County. In accordance with the agreement, ambulance service is primarily financed through revenue from recipients of the services and through a subsidy provided by the County. The County Board of Supervisors must approve user rates and changes to these rates.

In accordance with criteria set forth by the Governmental Accounting Standards Board, EMS meets the definition of a component unit which should be discretely presented. Condensed financial statements prepared on the accrual basis of accounting for the year ended December 31, 2019 are presented in Note 14.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Lee County Assessor's Conference Board, Lee County Emergency Management Commission, Lee County Joint 911 Service Board and Children First – Lee/Van Buren Empowerment Area. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Great River Regional Waste Authority, South Iowa Area Crime Commission, South Iowa Detention Service Agency, Lee County Narcotics Task Force, Southeast Iowa Regional Planning Commission, Southeast Iowa Community Action Agency, Regional Workforce Investment Board, Quad County Decategorization Board, Regional Utility Service Systems Commission, Southeast Iowa Regional Economic Port Authority, Southeast Iowa Link, and Public Safety Answering Point (PSAP) Association.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Funds – Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivables represent taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Intangibles	3 - 20
Equipment	2 - 20
Vehicles	3 - 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Lee County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although, certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Health Plan Trust Fund is designated for anticipated future catastrophic losses of the County. The net position of the Internal Service, Supplies and Information Technology Funds are designated for future use.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Three Rivers Conservation Foundation's investments at June 30, 2020 consist of stocks, mutual funds, exchange-traded funds and closed-ended funds with a fair value of \$128,465. Disclosure of concentration of credit risk and interest rate risk do not apply to these investments.

Friends of Public Health's investments at June 30, 2020 consist of Series A preferred interest in IO-MEGA, LLC with a cost of \$75,000. Fair value is not determinable for this investment. Disclosures of concentration of credit risk and interest rate risk do not apply to this investment.

The County uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the stocks and stock mutual funds of \$128,465 was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
Internal Service:		
Supplies	General	\$ 12,885
	Special Revenue:	
	Mental Health	106
	Secondary Roads	90
	Internal Service:	
	Employee Health Plan Trust	13
	Information Technology	36
Total		<u>\$ 13,130</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures/expenses occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Basic	\$ 2,313,484
Records Management	General	18,081
	Total	<u>\$ 2,331,565</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 993,136	-	-	993,136
Land, road network	1,585,584	-	-	1,585,584
Construction in progress	1,518,297	2,495,154	(3,985,051)	28,400
Total capital assets not being depreciated/amortized	4,097,017	2,495,154	(3,985,051)	2,607,120
Capital assets being depreciated/amortized:				
Buildings	16,685,307	62,995	-	16,748,302
Improvements other than buildings	1,360,800	73,825	-	1,434,625
Equipment and vehicles	9,105,238	381,697	(41,706)	9,445,229
Equipment, internal service	124,130	-	-	124,130
Intangibles	125,420	-	-	125,420
Intangibles, internal service	468,250	-	-	468,250
Infrastructure, road network	59,056,680	3,985,051	-	63,041,731
Total capital assets being depreciated/amortized	86,925,825	4,503,568	(41,706)	91,387,687
Less accumulated depreciation/amortization for:				
Buildings	7,347,799	407,668	-	7,755,467
Improvements other than buildings	806,342	75,093	-	881,435
Equipment and vehicles	6,130,145	656,470	(41,706)	6,744,909
Equipment, internal service	111,050	6,540	-	117,590
Intangibles	125,420	-	-	125,420
Intangibles, internal service	264,347	56,443	-	320,790
Infrastructure, road network	30,875,697	1,719,182	-	32,594,879
Total accumulated depreciation/amortization	45,660,800	2,921,396	(41,706)	48,540,490
Total capital assets being depreciated/amortized, net	41,265,025	1,582,172	-	42,847,197
Governmental activities capital assets, net	<u>\$ 45,362,042</u>	<u>4,077,326</u>	<u>(3,985,051)</u>	<u>45,454,317</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 115,852
Physical health and social services	9,257
Mental health	140,433
County environment and education	97,352
Roads and transportation	2,181,323
Government services to residents	13,765
Administration	363,414
Total depreciation/amortization expense - government activities	<u>\$ 2,921,396</u>

Equipment costing \$62,740 was purchased under a capital lease agreement. Accumulated depreciation on this asset totaled \$16,731.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2020 is as follows:

Fund	Description	Amount
General	Services	\$ 43,193
Special Revenue:		
Rural Services	Services	8,601
Secondary Roads	Services	231
Lee County Economic Development Group	Services	570,867
Sheriff Reserves	Services	800
		580,499
Total for governmental funds		\$ 623,692
Agency:		
County Assessor	Collections	\$ 55
Schools		695,678
Community Colleges		58,688
Corporations		510,152
Auto License and Use Tax		877,756
All other		881,165
Total for agency funds		\$ 3,023,494

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	General Obligation Jail Bonds	General Obligation Conservation Building Bonds	General Obligation Refunding Bonds	Capital Lease/ Installment Purchase Agreements	Promissory Note	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 280,000	320,000	4,125,000	245,765	-	429,718	6,053,668	1,002,587	12,456,738
Increases	-	-	-	-	29,932	700,704	-	256,061	986,697
Decreases	70,000	50,000	640,000	70,502	-	628,260	837,087	-	2,295,849
Balance end of year	\$ 210,000	270,000	3,485,000	175,263	29,932	502,162	5,216,581	1,258,648	11,147,586
Due within one year	\$ 70,000	52,000	655,000	71,217	-	422,357	-	69,940	1,340,514

General Obligation Jail Bonds

On July 1, 2013, the County issued \$650,000 of general obligation bonds with interest rate of 2% per annum. The bonds were issued to construct an addition to the County jail facility and upgrade utility systems to accommodate the larger facility population.

A summary of the annual bond principal and interest requirements to maturity is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.00%	\$ 70,000	4,200	74,200
2022	2.00	70,000	2,800	72,800
2023	2.00	70,000	1,400	71,400
Total		<u>\$ 210,000</u>	<u>8,400</u>	<u>218,400</u>

During the year ended, the County retired \$70,000 of bonds.

General Obligation Conservation Building Bonds

On October 1, 2014, the County issued \$510,000 of general obligation bonds with an interest rate of 2.10% per annum. The bonds were issued for the construction of a new conservation building.

A summary of the annual bond principal and interest requirements to maturity is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.10%	\$ 52,000	5,670	57,670
2022	2.10	53,000	4,578	57,578
2023	2.10	54,000	3,465	57,465
2024	2.10	55,000	2,331	57,331
2025	2.10	56,000	1,176	57,176
Total		<u>\$ 270,000</u>	<u>17,220</u>	<u>287,220</u>

During the year ended, the County retired \$50,000 of bonds.

General Obligation Refunding Bonds

On April 1, 2016, the County issued \$5,885,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued as an advance refunding to retire the outstanding balance of \$1,970,000 of the general obligation solid waste disposal bonds and \$3,785,000 of the general obligation jail bonds, series 2008.

A summary of the annual bond principal and interest requirements to maturity is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	3.00%	\$ 655,000	78,125	733,125
2022	2.00	680,000	58,475	738,475
2023	2.00	335,000	44,875	379,875
2024	2.00	345,000	38,175	383,175
2025	2.00	355,000	31,275	386,275
2026-2028	2.00-2.25	1,115,000	49,600	1,164,600
Total		\$ 3,485,000	300,525	3,785,525

During the year ended, the County retired \$640,000 of bonds.

Capital Lease/Installment Purchase Agreements

During the year ended June 30, 2019, the County entered into an interest free installment purchase agreement to purchase aerial photography for its Geographic Information System. The agreement is payable over 6 years, with annual installments ranging from \$34,132 to \$34,682, with a final payment of \$34,682 due by June 30, 2024.

In July 2018, the County entered into an installment purchase agreement to purchase computers for Sheriff patrol cars with interest at 7.712% per annum. The agreement is payable over 3 years with annual installments of \$26,053, with a final payment due by June 30, 2021.

During the year ended June 30, 2017, the County entered into a capital lease purchase agreement for a 2015 Case-1H 120C tractor for the Conservation department with interest at 5.85% per annum. The agreement is payable over 5 years with annual installments of \$13,667, with a final payment due July 18, 2020.

The following is a schedule of the future minimum lease payments, including interest, and the present value of net minimum lease and installment purchase payments under the agreements in effect at June 30, 2020:

Year Ending June 30,	Capital Lease	Installment Purchase		Total
	Conservation Tractor	Pictometry	Computers	
2021	\$ 13,667	34,132	26,053	73,852
2022	-	34,682	-	34,682
2023	-	34,682	-	34,682
2024	-	34,682	-	34,682
Total minimum payments	13,667	138,178	26,053	177,898
Less amount representing interest	(755)	-	(1,880)	(2,635)
Present value of net minimum payments	\$ 12,912	138,178	24,173	175,263

Payments under the capital lease and installment purchase agreements totaled \$73,851 for the year ended June 30, 2020.

Promissory Note

On March 17, 2020, the County issued a \$29,932 interest free promissory note with the Iowa Secretary of State. The promissory note was issued to cover the costs of electronic poll books. The promissory note is due no later than March 1, 2023.

(8) Loans Receivable

Economic Development Loan

In September 2016, Lee County agreed to loan Lee County Economic Development Group, Inc. \$200,000 for the purpose of loaning the amount to Keokuk Mills, LLC to assist in its efforts to acquire and establish a production facility and begin manufacturing. Lee County may forgive the loan in whole or part. Lee County will require repayment of the loan only if Keokuk Mills, Inc. has repaid the loan to Lee County Economic Development Group, Inc.

In December 2020 Keokuk Mills, LLC paid \$100,000 of the loan back to the Lee County Economic Development Group, Inc. who in turn paid the funds over to the County in January 2021. Also, in December 2020 Keokuk Mills, LLC signed a promissory note agreeing to repay the remaining \$100,000 to the Lee County Economic Development Group, Inc. with an interest rate of 2.5%. Starting on January 31, 2021, and on the last day of each month thereafter, Keokuk Mill, LLC will repay \$4,276 of principal and interest. On, or before, January 1, 2023 (the maturity date) the entire balance of the note, including principal and interest shall be paid in full. The maturity date may be extended for up to two years with approval from the Lee County Economic Development Group Inc. The Lee County Economic Development Group Inc. will repay the County as they receive each payment from Keokuk Mills, LLC.

The note receivable of \$200,000 is reported in the County's General Fund.

(9) Endowment

In 1998, the Lee County Health Department was given \$82,500 to establish the Gilbert Neff Memorial for the purpose of assisting needy persons in gaining access to hospice care. The endowment requires the principal amount be held in trust and only the interest generated by the investment be spent. The Health Department has established written guidelines for the use of these funds.

The County maintains the endowment principal in the Permanent, Neff Memorial Fund. Interest earned on the principal is credited to the Special Revenue, Neff Memorial Fund to be used in accordance with the endowment provisions. The balance in the Permanent Fund is reported as nonspendable for hospice care while the balance in the Special Revenue Fund is reported as restricted for hospice care.

(10) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$915,558.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the County reported a liability of \$5,216,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's proportion was 0.090086%, which was a decrease of 0.005575% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$1,214,606. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,754	221,802
Changes of assumptions	742,501	152,084
Net difference between projected and actual earnings on IPERS' investments	-	830,339
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	104,399	167,638
County contributions subsequent to the measurement date	915,558	-
Total	<u>\$ 1,796,212</u>	<u>1,371,863</u>

\$915,558 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2021	\$ 120,379
2022	(225,241)
2023	(190,049)
2024	(169,174)
2025	(27,124)
Total	<u>\$ (491,209)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 10,755,953	5,216,581	571,530

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2020.

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Lee County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	160
Total	165

Total OPEB Liability – The County's total OPEB liability of \$1,258,648 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	2.60% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% per annum, including inflation, plus merit and productivity increases.
Discount rate (effective June 30, 2020)	2.66% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.66% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 1,002,587
Changes for the year:	
Service cost	89,917
Interest	37,620
Difference between expected and actual experiences	120,298
Changes in assumptions	49,988
Benefit payments	(41,762)
Net changes	256,061
Total OPEB liability end of year	\$ 1,258,648

Changes of assumptions reflect a change in the discount rate from 3.51% in fiscal year 2019 to 2.66% in fiscal year 2020.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.66%) or 1% higher (3.66%) than the current discount rate.

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 1,351,829	1,258,648	1,170,442

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 1,110,947	1,258,648	1,434,363

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the County recognized OPEB expense of \$107,998. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,268	22,297
Changes in assumptions	106,550	-
Total	\$ 214,818	22,297

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 22,223
2022	22,223
2023	22,223
2024	22,223
2025	22,223
Thereafter	81,406
	<u>\$ 192,521</u>

(12) Risk Management

The County is exposed to various risks of loss related to torts; theft damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Employee Health Insurance Plan

The County has a fully insured health insurance plan with Wellmark. The deductibles have been set at \$3,000 for single coverage and \$6,000 for family coverage.

The Internal Service, Employee Health Plan Fund was established to account for the collection of premiums from individuals and departments which are then paid to Wellmark, as well as for the partial self-funding of a reduction in the County's health insurance benefit plan deductibles. The deductible reduction is funded by both employee and County contributions and is administered through a service agreement with Midwest Group Benefits. The agreement is subject to automatic renewal provisions.

Monthly payments of service fees and plan contributions to the Employee Health Plan Trust Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Midwest Group Benefits and health insurance premiums are paid to Wellmark from the Employee Health Plan Trust Fund. The County's contribution for the year ended June 30, 2020 was \$2,854,127.

Amounts payable from the Employee Health Plan Fund at June 30, 2020 total \$48,119, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$2,134,790 at June 30, 2020 and is reported as a designation of the Internal Service, Employee Health Plan Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 69,365
Incurred claims (including claims incurred but not reported at June 30, 2020)	2,966,114
Payments:	
Payments on claims during the year	<u>(2,987,360)</u>
Unpaid claims end of year	<u>\$ 48,119</u>

(14) **Lee County EMS Ambulance, Inc.**

Lee County EMS Ambulance, Inc. (EMS) provides ambulance service for Lee County. EMS reports its financial activity using a calendar year end. As permitted by GASB Statement No. 34, the County has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for EMS for the year ended December 31, 2019.

Condensed Statement of Net Position	
December 31, 2019	
Assets	
Cash	\$ 4,875
Accounts receivable, net of allowance	314,506
Capital assets, net of accumulated depreciation	460,734
Total assets	780,115
Liabilities	
Accounts payable	25,041
Salaries and benefits payable	271,082
Notes payable	315,957
Total liabilities	612,080
Net position	
Net investment in capital assets	400,434
Unrestricted	(232,399)
Total net position	\$ 168,035

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position	
Year ended December 31, 2019	
Operating revenues:	
Patient income	\$ 1,746,513
Operating expenses:	
Salaries and benefits	\$ 1,560,825
Insurance	285,028
Other	658,970
	2,504,823
Operating loss	(758,310)
Non-operating revenues:	
County subsidy	528,076
Miscellaneous	7,384
Non-operating revenues	535,460
Net loss	(222,850)
Net position beginning of year	390,885
Net position end of year	\$ 168,035

(15) Ambulance Subsidy Agreement

On June 6, 2017, the County entered into an agreement with Lee County EMS Ambulance Inc. (EMS). As part of this agreement, the County agreed to continue to subsidize EMS to provide ambulance service to the County. The County's obligation under this agreement commenced on July 1, 2017 and terminates on June 30, 2020. Pursuant to the agreement, the County is to pay \$429,624 per year for three years at \$35,802 per month. On June 16, 2020, the County entered into a new agreement with EMS to provide ambulance service from July 1, 2020 through June 30, 2021.

(16) Lee County EMS Ambulance, Inc. Going Concern

At June 30, 2020, the Lee County EMS Ambulance, Inc. (EMS) has had net losses each of the last three years. EMS has been delinquent on payment of federal payroll taxes. Notes payable for EMS have increased. Lee County renewed its agreement with EMS for one year, which covers July 1, 2020 through June 30, 2021. The County payment will increase from \$429,624 to \$500,000. As a part of this new agreement, EMS will raise rates on services provided. At July 1, 2021, EMS will cease operations and the County will assume responsibility for ambulance service.

(17) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

In 2012, the County entered into a development agreement with Iowa Fertilizer Company (Company) to construct a facility located in the County. Under the agreement, the County grants property tax exemptions to the Company and the Company agrees to make payments in lieu of property taxes to the County.

For the year ended June 30, 2020, the County abated \$460,784 of property tax under the agreement. The County received \$370,000 of payment in lieu of tax from the Company, of which \$222,277 was provided to other affected governments and \$147,723 was retained by the County.

In addition, the County provides tax abatements to certain property owners who make qualified improvements to eligible property through the Lee County Revitalization Plan, as provided for in Chapter 404.1 of the Code of Iowa. Under this Plan, the Board of Supervisors shall approve applications from property owners, subject to review by the local Assessor, if the improvement project is in conformance with the plan for revitalization developed by the County, is located within a designated Revitalization Area, and if the improvements were made during the time the area was so designated. All qualified real estate is eligible to receive a two-year one hundred percent exemption from the taxation on the actual value added by the improvements. For the year ended June 30, 2020, \$77,223 of property tax was diverted from the County under these agreements.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Fort Madison	Urban renewal and economic development projects	\$ 55,370
City of Keokuk	Urban renewal and economic development projects	<u>225,875</u>
	Total	<u>\$ 281,245</u>

(18) Jointly Governed Organization

The County participates in the Lee County Public Safety Answering Point Association, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of Other Custodial Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2020:

Additions:

Contributions from governmental units:

Member contributions	\$ 1,262,435
Interest on investments	1,294
Miscellaneous	<u>2,633</u>
Total additions	1,266,362

Deductions:

Salaries	\$ 595,316	
Benefits	294,877	
Office supplies	2,063	
Legal representation and publications	10,285	
Telephone	4,978	
Travel	819	
Training	5,435	
Equipment	6,993	
Labor relation services	1,472	
Insurance	4,521	
Maintenance and improvements	7,364	
Professional and technical services	7,250	
Data processing services	11,784	
Miscellaneous	<u>298</u>	<u>953,455</u>
Net		312,907
Balance beginning of year		<u>313,026</u>
Balance end of year		<u>\$ 625,933</u>

(19) Early Childhood Iowa Area Board

The County is the fiscal agent for Children First, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of Other Custodial Funds because of the County's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2020 is as follows:

	Early Childhood	School Ready	Total
Revenues:			
State grants:			
Early childhood	\$ 93,181	-	93,181
Quality improvement	-	46,513	46,513
Allocation for administration	4,904	11,021	15,925
School ready general use	-	310,045	310,045
Total state grants	98,085	367,579	465,664
Interest on investments	176	463	639
Total revenues	98,261	368,042	466,303
Expenditures:			
Program services:			
Early childhood	81,815	-	81,815
Quality improvement	-	45,178	45,178
School ready general use	-	284,669	284,669
Total program services	81,815	329,847	411,662
Administration	4,558	10,776	15,334
Total expenditures	86,373	340,623	426,996
Change in fund balance	11,888	27,419	39,307
Fund balance beginning of year	17,018	47,299	64,317
Fund balance end of year	\$ 28,906	74,718	103,624

(20) Drainage Bond Payable

In December 2012, the Green Bay Levee and Drainage District No. 2 issued a drainage bond for \$1,450,000. The bond requires semi-annual payments on June 1 and December 1 of \$84,323 including interest at 2.99% per annum. The balance of the bond at June 30, 2020 is \$403,344.

(21) County Financial Information Included in the Southeast Iowa Link Mental Health Region

Southeast Iowa Link, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Des Moines County, Henry County, Jefferson County, Keokuk County, Lee County, Louisa County, Van Buren County and Washington County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southeast Iowa Link Mental Health Region for the year ended June 30, 2020, as follows:

Revenues:		
Property and other county tax	\$	8,380
Intergovernmental revenues:		
Payments from regional fiscal agent		23,420
Charges for service		<u>15,050</u>
Total revenues		<u>46,850</u>
Expenditures:		
Services to persons with:		
Mental illness		31,590
General administration:		
Direct administration	\$	191,512
Distribution to regional fiscal agent	<u>976,972</u>	<u>1,168,484</u>
Total expenditures		<u>1,200,074</u>
Excess of expenditures over revenues		(1,153,224)
Fund balance beginning of year		<u>1,542,417</u>
Fund balance end of year	\$	<u>389,193</u>

(22) Subsequent Events

On October 6, 2020 the County approved the issuance of a \$1,025,000 general obligation note to provide funding for the replacement of boilers at the South Lee Courthouse, constructing improvements to the North Lee Courthouse, bathroom remodel at the North Lee Office Building and constructing improvements to the County Jail Building.

On November 24, 2020 the County approved the issuance of not to exceed \$6,200,000 in general obligation emergency services communication equipment bonds to pay the cost of acquiring and equipping the County's law enforcement, fire, ambulance and other emergency services communication systems.

On January 25, 2021 the County approved the issuance of a lease-purchase contract in the amount of \$1,133,549 for the purpose of funding an ambulance fleet and equipment for a County run ambulance service to start on July 1, 2021.

(23) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2020. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Beginning net position for fiduciary funds was restated to retroactively report the change in net position, as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2019, as previously reported	\$ -
Change to implement GASBS No. 84	<u>1,769,783</u>
Net position July 1, 2019, as restated	<u>\$ 1,769,783</u>

(24) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

(25) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Lee County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Lee County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Lee County's operations and finances.

Lee County

Required Supplementary Information

Lee County
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2020

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 14,046,319	-	14,046,319
Interest and penalty on property tax	65,392	-	65,392
Intergovernmental	9,365,019	208,839	9,156,180
Licenses and permits	305,611	-	305,611
Charges for service	1,080,034	-	1,080,034
Use of money and property	331,946	54,384	277,562
Miscellaneous	583,597	288,260	295,337
Total receipts	25,777,918	551,483	25,226,435
Disbursements:			
Public safety and legal services	7,094,412	-	7,094,412
Physical health and social services	4,385,925	68,108	4,317,817
Mental health	1,199,752	-	1,199,752
County environment and education	1,891,590	285,936	1,605,654
Roads and transportation	5,401,679	-	5,401,679
Governmental services to residents	1,322,113	-	1,322,113
Administration	2,349,719	-	2,349,719
Non-program	27,010	-	27,010
Debt service	871,645	-	871,645
Capital projects	449,829	-	449,829
Total disbursements	24,993,674	354,044	24,639,630
Excess (deficiency) of receipts over (under) disbursements	784,244	197,439	586,805
Other financing sources (uses), net	29,988	-	29,988
Change in balances	814,232	197,439	616,793
Balance beginning of year	12,169,611	540,389	11,629,222
Balance end of year	\$ 12,983,843	737,828	12,246,015

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
14,168,395	14,168,395	(122,076)
142,000	142,000	(76,608)
9,923,390	9,930,380	(774,200)
288,700	288,700	16,911
1,140,660	1,140,660	(60,626)
222,322	222,322	55,240
311,521	335,239	(39,902)
26,196,988	26,227,696	(1,001,261)
7,100,596	7,324,650	230,238
4,617,890	4,651,890	334,073
1,287,337	1,287,337	87,585
1,716,519	1,716,519	110,865
6,538,624	6,538,624	1,136,945
1,409,673	1,409,673	87,560
2,365,330	2,546,330	196,611
27,809	34,799	7,789
871,645	871,645	-
1,780,569	1,780,569	1,330,740
27,715,992	28,162,036	3,522,406
(1,519,004)	(1,934,340)	2,521,145
100	100	29,888
(1,518,904)	(1,934,240)	2,551,033
10,565,589	10,565,589	1,063,633
9,046,685	8,631,349	3,614,666

Lee County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation
Required Supplementary Information
Year ended June 30, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 25,777,918	290,930	26,068,848
Expenditures	24,993,674	54,282	25,047,956
Net	784,244	236,648	1,020,892
Other financing sources, net	29,988	-	29,988
Beginning fund balances	12,169,611	1,669,658	13,839,269
Ending fund balances	\$ 12,983,843	1,906,306	14,890,149

See accompanying independent auditor's report.

Lee County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended and discretely presented component units, Internal Service Funds and Custodial Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Permanent Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$446,044. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body, as indicated: for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

Lee County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
County's proportion of the net pension liability	0.090086%	0.095661%	0.100564%	0.097016%
County's proportionate share of the net pension liability	\$ 5,217	6,054	6,699	6,106
County's covered payroll	\$ 9,055	9,043	8,809	8,228
County's proportionate share of the net pension liability as a percentage of its covered payroll	57.61%	66.95%	76.05%	74.21%
IPERS' net position as a percentage of the total liability pension	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2016	2015
0.092265%	0.085462%
4,558	3,389
7,867	7,415
57.94%	45.70%
85.19%	87.61%

Lee County
Schedule of County Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 916	862	820	799
Contributions in relation to the statutorily required contribution	(916)	(862)	(820)	(799)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 9,659	9,055	9,043	8,809
Contributions as a percentage of covered payroll	9.48%	9.52%	9.07%	9.07%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
742	710	669	630	571	497
(742)	(710)	(669)	(630)	(571)	(497)
-	-	-	-	-	-
8,228	7,867	7,415	7,135	6,858	6,745
9.02%	9.03%	9.02%	8.83%	8.33%	7.37%

Lee County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Lee County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
Required Supplementary Information

	2020	2019	2018
Service cost	\$ 89,917	82,135	63,552
Interest cost	37,620	36,992	30,518
Difference between expected and actual experiences	120,298	-	(31,852)
Changes in assumptions	49,988	29,052	54,741
Benefit payments	(41,762)	(38,272)	(26,155)
Net change in total OPEB liability	256,061	109,907	90,804
Total OPEB liability beginning of year	1,002,587	892,680	801,876
Total OPEB liability end of year	\$ 1,258,648	1,002,587	892,680
Covered-employee payroll	\$ 8,135,252	7,259,202	7,711,045
Total OPEB liability as a percentage of covered-employee payroll	15.5%	13.8%	11.6%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.66%
Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Lee County

Supplementary Information

Lee County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

					Special
	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation	Lee County Economic Development Group
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 33,725	49,188	7,608	-	-
Component units	-	-	-	13,866	375,724
Receivables:					
Accounts	-	-	500	-	569,155
Accrued interest	10	15	-	-	-
Total assets	33,735	49,203	8,108	13,866	944,879
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	31	-	5,210
Salaries and benefits payable	-	-	-	-	2,507
Due to other governments	-	-	800	-	570,867
Total liabilities	-	-	831	-	578,584
Fund balances:					
Nonspendable:					
Hospice care	-	-	-	-	-
Restricted for:					
Hospice care	-	-	-	-	-
Other purposes	33,735	49,203	7,277	13,866	366,295
Total fund balances	33,735	49,203	7,277	13,866	366,295
Total liabilities and fund balances	\$ 33,735	49,203	8,108	13,866	944,879

See accompanying independent auditor's report.

Revenue						
Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	Permanent Neff Memorial	Total
-	-	7,818	195,000	25,570	82,500	401,409
188,463	159,775	-	-	-	-	737,828
-	-	-	-	-	-	569,655
-	-	-	62	8	-	95
188,463	159,775	7,818	195,062	25,578	82,500	1,708,987
-	-	-	3,211	-	-	8,452
-	-	-	-	-	-	2,507
-	-	-	-	-	-	571,667
-	-	-	3,211	-	-	582,626
-	-	-	-	-	82,500	82,500
-	-	-	191,851	25,578	-	217,429
188,463	159,775	7,818	-	-	-	826,432
188,463	159,775	7,818	191,851	25,578	82,500	1,126,361
188,463	159,775	7,818	195,062	25,578	82,500	1,708,987

Lee County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2020

				Special
	Resource Enhancement and Protection	County Recorder's Records Management	Sheriff Reserves	Great River Progressive Housing Corporation
Revenues:				
Intergovernmental	\$ 15,904	-	-	-
Charges for service	-	4,880	-	-
Use of money and property	103	114	-	-
Miscellaneous	-	-	6,463	57,019
Total revenues	16,007	4,994	6,463	57,019
Expenditures:				
Operating:				
Public safety and legal services	-	-	5,313	-
Physical health and social services	-	-	-	66,496
County environment and education	-	-	-	-
Total expenditures	-	-	5,313	66,496
Excess (deficiency) or revenues over (under) expenditures	16,007	4,994	1,150	(9,477)
Other financing sources:				
Transfers in	-	18,081	-	-
Change in fund balances	16,007	23,075	1,150	(9,477)
Fund balances beginning of year	17,728	26,128	6,127	23,343
Fund balances end of year	\$ 33,735	49,203	7,277	13,866

See accompanying independent auditor's report.

Revenue							
Lee County Economic Development Group	Three Rivers Conservation Foundation	Friends of Public Health	Sheriff's Forfeiture	Memorial Trust	Neff Memorial	Permanent Neff Memorial	Total
200,000	8,839	-	-	-	-	-	224,743
-	-	-	-	-	-	-	4,880
20,886	43,311	187	-	764	97	-	65,462
236,991	-	-	3,280	31,011	-	-	334,764
457,877	52,150	187	3,280	31,775	97	-	629,849
-	-	-	-	-	-	-	5,313
-	-	1,612	-	33,170	-	-	101,278
322,812	8,055	-	-	-	-	-	330,867
322,812	8,055	1,612	-	33,170	-	-	437,458
135,065	44,095	(1,425)	3,280	(1,395)	97	-	192,391
-	-	-	-	-	-	-	18,081
135,065	44,095	(1,425)	3,280	(1,395)	97	-	210,472
231,230	144,368	161,200	4,538	193,246	25,481	82,500	915,889
366,295	188,463	159,775	7,818	191,851	25,578	82,500	1,126,361

Schedule 3

Lee County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2020

	Supplies	Employee Health Plan Trust	Information Technology	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 13,951	2,182,304	247,738	2,443,993
Receivables:				
Accrued interest	-	618	-	618
Due from other funds	13,130	-	-	13,130
Due from other governments	219	-	-	219
Inventories	3,619	-	-	3,619
Prepaid expenses	-	-	14,643	14,643
Noncurrent assets:				
Capital assets, net of accumulated depreciation/amortization	-	-	154,000	154,000
Total assets	30,919	2,182,922	416,381	2,630,222
Deferred Outflows of Resources				
OPEB-related deferred outflows	-	-	2,148	2,148
Pension-related deferred outflows	-	-	17,962	17,962
Total deferred outflows of resources	-	-	20,110	20,110
Liabilities				
Current liabilities:				
Accounts payable	4,846	48,119	954	53,919
Salaries and benefits payable	-	-	3,768	3,768
Due to other funds	-	13	36	49
Installment purchase agreement payable	-	-	34,132	34,132
Compensated absences	-	-	8,714	8,714
Non-current liabilities:				
Installment purchase agreement payable	-	-	104,046	104,046
Total OPEB liability	-	-	12,586	12,586
Net pension liability	-	-	52,166	52,166
Total liabilities	4,846	48,132	216,402	269,380
Deferred Inflows of Resources				
OPEB-related deferred inflows	-	-	223	223
Pension-related deferred inflows	-	-	13,719	13,719
Total deferred inflows of resources	-	-	13,942	13,942
Net Position				
Net investment in capital assets	-	-	15,822	15,822
Restricted for employee health	-	2,134,790	-	2,134,790
Unrestricted	26,073	-	190,325	216,398
Total net position	\$ 26,073	2,134,790	206,147	2,367,010

See accompanying independent auditor's report.

Lee County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2020

	Supplies	Employee Health Plan Trust	Information Technology	Total
Operating revenues:				
Reimbursements from operating funds and other governmental units	\$ 72,981	2,854,127	391,564	3,318,672
Reimbursements from employees and others	-	329,736	-	329,736
Miscellaneous reimbursements	-	204	3,751	3,955
Total operating revenues	72,981	3,184,067	395,315	3,652,363
Operating expenses:				
Medical and health services	-	2,966,114	-	2,966,114
Salaries and benefits	-	-	184,712	184,712
Administrative fees, network access fees and stop-loss premium	-	62,684	-	62,684
Supplies, utilities and data processing	78,149	194	108,303	186,646
Maintenance agreements	-	-	502	502
Non-capitalized equipment	-	-	10,767	10,767
Depreciation/amortization	-	-	62,983	62,983
Total operating expenses	78,149	3,028,992	367,267	3,474,408
Operating income (loss)	(5,168)	155,075	28,048	177,955
Non-operating revenues:				
Interest income	-	7,031	-	7,031
Change in net position	(5,168)	162,106	28,048	184,986
Net position beginning of year	31,241	1,972,684	178,099	2,182,024
Net position end of year	\$ 26,073	2,134,790	206,147	2,367,010

See accompanying independent auditor's report.

Lee County

Lee County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2020

	Supplies	Employee Health Plan Trust	Information Technology	Total
Cash flows from operating activities:				
Cash received from operating funds and other governmental units	\$ 72,077	2,854,127	399,609	3,325,813
Cash received from employees and others	-	332,839	3,751	336,590
Cash paid to suppliers for services	(73,867)	(3,050,675)	(337,652)	(3,462,194)
Net cash provided (used) by operating activities	(1,790)	136,291	65,708	200,209
Cash flows from capital and related financing activities:				
Installment purchase agreement payment	-	-	(34,132)	(34,132)
Cash flows from investing activities:				
Interest on investments	-	6,973	-	6,973
Net increase (decrease) in cash and cash equivalents	(1,790)	143,264	31,576	173,050
Cash and cash equivalents beginning of year	15,741	2,039,040	216,162	2,270,943
Cash and cash equivalents end of year	\$ 13,951	2,182,304	247,738	2,443,993
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (5,168)	155,075	28,048	177,955
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization expense	-	-	62,983	62,983
Changes in assets and liabilities:				
Accounts receivable	-	2,899	-	2,899
Due from other governments	57	-	-	57
Due from other funds	(961)	-	8,045	7,084
Inventories	884	-	-	884
Accounts payable	3,398	(21,246)	(28,619)	(46,467)
Salaries and benefits payable	-	-	1,135	1,135
Due to other funds	-	(14)	(103)	(117)
Due to other governments	-	(423)	-	(423)
Prepaid expenses	-	-	(12,208)	(12,208)
Compensated absences	-	-	2,323	2,323
Pension liability	-	-	(8,371)	(8,371)
Deferred outflows of resources	-	-	2,632	2,632
Deferred inflows of resources	-	-	7,283	7,283
Total OPEB liability	-	-	2,560	2,560
Net cash provided (used) by operating activities	\$ (1,790)	136,291	65,708	200,209

See accompanying independent auditor's report.

Lee County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,700	486,583	758,552	209,305
Other County officials	75,417	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	6,502	14,034	-	486,373
Succeeding year	-	265,000	573,000	-	19,189,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	35,678	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	3,577	-	-
Total assets	75,417	274,202	1,077,194	794,230	19,884,678
Liabilities					
Accounts payable	-	-	424	-	-
Salaries and benefits payable	-	-	8,698	281	-
Due to other governments	39,037	9,202	55	390,605	695,678
Trusts payable	36,380	-	-	-	-
Compensated absences	-	-	20,854	-	-
Drainage bond payable	-	-	-	403,344	-
Total liabilities	75,417	9,202	30,031	794,230	695,678
Deferred Inflows of Resources					
Unavailable revenues	-	265,000	573,000	-	19,189,000
Net Position					
Restricted for individuals, organizations and other governments	\$ -	-	474,163	-	-

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
16,280	153,643	3,791	877,756	802	-	1,999,997	4,509,409
-	-	-	-	-	178,222	-	253,639
42,408	356,509	10,586	-	-	-	96	916,508
1,733,000	12,096,000	533,000	-	-	-	3,900	34,392,900
-	-	-	-	-	-	92,079	92,079
-	-	-	-	-	-	613	613
-	-	-	-	-	-	346,521	346,521
-	-	-	-	-	-	-	35,678
-	-	-	-	-	-	368	368
-	-	-	-	-	-	-	3,577
1,791,688	12,606,152	547,377	877,756	802	178,222	2,443,574	40,551,292
-	-	-	-	-	-	42,469	42,893
-	-	-	-	-	-	31,270	40,249
58,688	510,152	14,377	877,756	802	-	427,142	3,023,494
-	-	-	-	-	178,222	7,702	222,304
-	-	-	-	-	-	24,694	45,548
-	-	-	-	-	-	-	403,344
58,688	510,152	14,377	877,756	802	178,222	533,277	3,777,832
1,733,000	12,096,000	533,000	-	-	-	3,900	34,392,900
-	-	-	-	-	-	1,906,397	2,380,560

Lee County
Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Drainage Districts	Schools
Additions:					
Property and other county tax	\$ -	267,960	559,893	-	19,843,150
911 surcharges	-	-	-	-	-
State tax credits	-	25,296	52,796	-	1,939,096
Drivers license fees	-	-	-	-	-
Office fees and collections	1,254,115	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	140,229	-
Trusts	1,139,636	-	-	-	-
Miscellaneous	39,040	-	5,828	790,991	-
Total additions	2,432,791	293,256	618,517	931,220	21,782,246
Deductions:					
Agency remittances:					
To other funds	1,032,301	-	-	-	-
To other governments	260,279	293,256	482,908	931,220	21,782,246
Trusts paid out	1,140,211	-	-	-	-
Total deductions	2,432,791	293,256	482,908	931,220	21,782,246
Changes in net position	-	-	135,609	-	-
Net position beginning of year, as restated	-	-	338,554	-	-
Net position end of year	\$ -	-	474,163	-	-

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drivers License Trust	Payee Accounts	Other	Total
1,618,104	11,954,950	551,052	-	-	-	4,675	34,799,784
-	-	-	-	-	-	147,714	147,714
152,246	1,440,124	32,759	-	-	-	494	3,642,811
-	-	-	-	92,629	-	-	92,629
-	-	-	-	-	-	-	1,254,115
-	-	-	10,248,610	-	-	-	10,248,610
-	-	-	-	-	-	142,924	283,153
-	-	-	-	-	1,202,945	876,747	3,219,328
-	-	-	-	-	-	3,706,090	4,541,949
1,770,350	13,395,074	583,811	10,248,610	92,629	1,202,945	4,878,644	58,230,093
-	-	-	368,402	-	-	-	1,400,703
1,770,350	13,395,074	583,811	9,880,208	92,629	-	3,526,729	52,998,710
-	-	-	-	-	1,202,945	876,747	3,219,903
1,770,350	13,395,074	583,811	10,248,610	92,629	1,202,945	4,403,476	57,619,316
-	-	-	-	-	-	475,168	610,777
-	-	-	-	-	-	1,431,229	1,769,783
-	-	-	-	-	-	1,906,397	2,380,560

Lee County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Property and other county tax	\$ 12,639,874	11,862,940	10,903,882	10,720,493
Local option sales tax	1,492,519	1,358,036	1,557,179	1,685,519
Interest and penalty on property tax	70,342	159,809	160,481	138,525
Intergovernmental	9,166,206	8,868,737	8,941,730	8,661,941
Licenses and permits	307,560	272,379	243,592	256,856
Charges for service	1,094,015	1,131,033	1,009,650	995,653
Use of money and property	342,886	291,487	326,001	297,881
Miscellaneous	955,446	1,049,972	660,400	1,495,640
Total	\$ 26,068,848	24,994,393	23,802,915	24,252,508
Expenditures:				
Operating:				
Public safety and legal services	\$ 7,069,060	6,701,060	6,280,673	5,736,621
Physical health and social services	4,416,032	4,241,339	4,630,114	4,363,856
Mental health	1,200,074	1,597,347	1,491,378	1,214,808
County environment and education	1,948,572	2,000,233	1,929,379	2,100,128
Roads and transportation	5,432,447	5,676,020	5,046,294	5,364,056
Governmental services to residents	1,326,980	1,197,568	1,181,467	1,268,466
Administration	2,379,676	2,152,793	2,922,850	2,136,108
Non-program	-	51,309	68,273	832,870
Debt service	871,646	856,374	1,018,024	935,845
Capital projects	403,469	859,503	254,199	224,320
Total	\$ 25,047,956	25,333,546	24,822,651	24,177,078

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
11,009,591	10,759,734	10,260,723	10,398,427	10,226,662	10,193,550
1,831,714	1,764,285	1,318,713	1,511,657	1,409,188	1,508,640
142,002	139,728	146,058	148,139	145,270	141,028
11,772,333	9,850,223	8,271,583	7,944,450	10,657,595	9,899,246
192,727	111,772	101,664	93,635	105,568	98,426
1,064,137	1,048,099	1,006,977	1,028,187	916,932	943,735
615,296	297,627	309,196	311,682	292,716	309,502
5,799,346	3,019,302	899,461	374,143	408,049	371,510
32,427,146	26,990,770	22,314,375	21,810,320	24,161,980	23,465,637
4,980,040	4,694,543	4,428,780	4,255,457	4,422,016	4,185,481
4,505,995	4,346,000	4,290,759	4,234,139	3,982,400	3,882,964
1,292,277	1,182,005	1,753,244	2,683,788	6,615,100	4,824,623
2,052,614	1,715,148	1,800,562	1,292,962	1,115,886	1,189,364
5,285,493	5,394,021	5,130,710	4,703,670	4,552,964	4,476,579
1,085,093	1,190,720	918,840	958,573	958,038	903,704
2,161,986	2,129,200	1,989,089	2,026,221	2,022,340	2,305,653
305,876	63,574	8,734	17,038	-	63,199
996,738	906,756	893,243	815,576	813,334	818,097
8,066,394	3,406,224	579,977	100,416	648,571	271,567
30,732,506	25,028,191	21,793,938	21,087,840	25,130,649	22,921,231

Lee County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5889NU55	\$ 3,710
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5880NU55	2,112
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		29,608
			<u>35,430</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VP-20-132-VWC	18,589
Governor's Office of Drug Control Policy:			
Project Safe Neighbors	16.609	18-PSN-06	3,307
Public Safety Partnership and Community Policing Grants	16.710	18-CAMP-07	6,115
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-JAG-302892	36,000
Iowa Department of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 19-402-MOPT, Task 13	11,088
State and Community Highway Safety	20.600	PAP 20-402-MOPT, Task 22	6,657
			<u>17,745</u>
Election Assistance Commission:			
Iowa Secretary of State:			
COVID-19 2018 HAVA Election Security Grants	90.404		1,051
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Grants to States to Support Oral Health Workforce Activities	93.236	5889DH32	9,534
Grants to States to Support Oral Health Workforce Activities	93.236	5880DH32	27,018
			<u>36,552</u>
Immunization Cooperative Agreements	93.268	5880I452	10,324
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	MOU-2020-ELC27	800
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	5885BT456	15,844
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366	5880MH10	5,000
Iowa Department of Human Services:			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	ACFS-019-070A	37,112
Iowa Department of Public Health:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	5880MH10	3,150 *
Iowa Department of Human Services:			
Community-Based Child Abuse Prevention Grants	93.590	ACFS-019-059	62,259
Iowa Department of Public Health:			
Children's Health Insurance Program	93.767	5889MH11	3,488
Children's Health Insurance Program	93.767	5880MH10	10,516
			<u>14,004 **</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	5889MH108	77,885
Medical Assistance Program	93.778	5889MH11	17,628
Medical Assistance Program	93.778	5880MH10	62,013
			<u>157,526 ***</u>

Lee County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2020

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (continued):			
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	5889CH06	195,759
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	5880CH06	<u>63,314</u>
			<u>259,073</u>
Maternal and Child Health Services Block Grant to the States	93.994	5889MH11	18,192
Maternal and Child Health Services Block Grant to the States	93.994	5880MH11	<u>54,842</u>
			<u>73,034</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Guardianship Assistance	93.090		<u>5</u>
Refugee and Entrant Assistance State/ Replacement Designee Administered Programs	93.566		<u>17</u>
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>7,013</u> *
Foster Care Title IV-E	93.658		<u>9,969</u>
Adoption Assistance	93.659		<u>4,072</u>
Social Services Block Grant	93.667		<u>8,612</u>
Children's Health Insurance Program	93.767		<u>993</u> **
Medicaid Cluster:			
Medical Assistance Program	93.778		<u>44,789</u> ***
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>32,622</u>
Total			<u>\$ 901,007</u>

* Total CCDF Cluster \$10,163

** Total Children's Health Insurance Program \$14,997

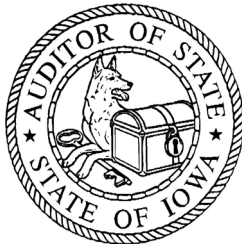
*** Total Medicaid Cluster \$202,315

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Lee County under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lee County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Lee County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Lee County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Lee County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lee County, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lee County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-20 through II-D-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-20 through II-J-20 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

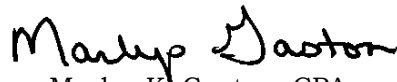
Lee County's Responses to the Findings

Lee County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lee County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

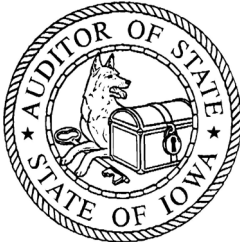
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lee County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 26, 2021



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Officials of Lee County:

Report on Compliance for Each Major Federal Program

We have audited Lee County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2020. Lee County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Lee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lee County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Lee County's compliance.

Opinion on the Major Federal Programs

In our opinion, Lee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

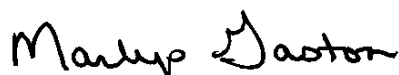
The management of Lee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lee County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lee County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-20 we consider to be a material weakness.

Lee County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 26, 2021

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
 - CFDA Number 93.590 –Community-Based Child Abuse Prevention Grants
 - CFDA Number 93.870 – Maternal, Infant and Early Childhood Home Visiting Grant
 - CFDA Number 93.994 – Maternal and Child Health Services Block Grant to the States
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Lee County did not qualify as a low-risk auditee.

Lee County
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 County Offices – Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements. An effective internal control system also provides for internal controls related to ensuring proper accounting for all funds by reviewing reconciliations of bank and book balances and accounting for void receipts.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
1) Incoming mail is opened by an employee who is authorized to make entries to the accounting records.	Treasurer, Recorder, Health Department
2) Generally, one individual may have control over collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.	Health Department, Conservation, Lee County Economic Development Group, Great River Progressive Housing
3) A listing of cash and checks received by mail is not regularly prepared by someone independent of cash and receipt functions or compared to cash receipt records or bank deposits.	Sheriff
4) Bank reconciliations were not reviewed periodically by an independent person for propriety.	Lee County Economic Development Group
5) Responsibilities for maintaining detailed accounts receivable records are not segregated from posting receipts.	Health Department
6) A monthly report of voided receipts is not maintained and reviewed by someone independent of the receipts process for receipts voided in the Solutions system.	Treasurer
7) The person who signs checks is not independent of the person preparing checks, approving disbursements and recording cash receipts.	Conservation, Great River Progressive Housing

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions, processes and reports.

Effect – Inadequate segregation of duties and inadequate policies could adversely affect each County office's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. In addition, all bank accounts should be reviewed by an independent person, and a monthly report of voided receipts should be maintained.

Responses

- (a) Recorder – We will review our controls and try to make changes where possible given our limited staff.
- (b) Treasurer – We will work to have the mail opened by someone independent (who does not access the receipts system). We will start generating a monthly report of voided receipts in the Solutions system and have someone independent review this report.
- (c) Sheriff – We will have the mail opener prepare a listing of receipts, on a test basis. We will try this as time allows.
- (d) Health Department Response and Corrective Action Planned – With limited staff, we will attempt to segregate duties as much as possible. We will look at having a different individual open mail and when things slowdown from COVID-19 we will train someone else on deposits.
- (e) Conservation – With limited staff, we will attempt to segregate duties as much as possible. The director and office manager plan to review current operations to see where improvements can be made.
- (f) Great River Progressive Housing – With limited staff, we will attempt to segregate duties as much as possible. We are diligently pursuing the transition of the property management duties to Keokuk Housing Authority; however, this can only take place with the consent of the Iowa Finance Authority. Until that time, the Great River Progressive Housing Board will heed the audit suggestions as much as possible.
- (g) Lee County Economic Development Group – We will ask a Board member who does not sign checks to review the bank reconciliations, outside of our meetings. We will ask them to scan for unusual items, verify outstanding check listing, outstanding deposits, any other reconciling items, verify the book balance agrees to QuickBooks ledger and bank balance agrees to the bank statement.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Conclusions – Responses acknowledged. All offices should continue to review current operating procedures for the areas noted to obtain the maximum internal control possible. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

II-B-20 Ambulance Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

Receipts – opening mail, collecting, recording, depositing, maintaining receivable records and posting.

Expenses – purchasing, check writing, signing, reconciling and recording.

Payroll – preparing, posting and distributing.

Cause – Lee County EMS Ambulance, Inc. has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, Lee County EMS Ambulance, Inc. should review its operating procedures to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will review our controls to try to make changes where possible to obtain maximum internal controls given our limited staff.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

II-C-20 Ambulance Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Although Lee County EMS Ambulance, Inc. prepares an annual financial report, the financial report did not include patient billing receivables of \$314,506, accounts payable of \$25,041 and an additional \$39,824 of salaries payable at December 31, 2019. A listing of accounts payable of \$25,401 and a listing of accrued salaries payable of \$39,824 was not prepared at December 31, 2019. Adjustments were subsequently made to properly record these amounts in the financial statements.

Cause – Lee County EMS Ambulance, Inc.'s policies do not require, and procedures have not been established to require an independent review of year-end cut-off transactions to ensure the entity's financial statements are accurate and reliable for inclusion in the County's audit report.

Effect – Lack of policies and procedures resulted in Lee County EMS Ambulance, Inc. employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

Recommendation – Lee County EMS Ambulance, Inc. should implement procedures to ensure all receivables and payables are identified and recorded for inclusion in the County's financial statements.

Response – We will make sure payables and receivables are properly listed for inclusion in the financial statements.

Conclusion – Response accepted.

II-D-20 Ambulance Billings, Collections, Delinquent Accounts and Write-offs

Criteria – An effective internal control system provides for internal controls related to reconciling billings, collections and receivables to ensure the accuracy of collections and receivables.

Condition – Lee County EMS Ambulance, Inc. does not reconcile ambulance billings, collections and delinquent accounts. Also, receipts recorded in the ambulance billing system are not reconciled to bank deposits.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

A reconciliation of receivables, collections and delinquent accounts was prepared for the test month of December. For the month of December, the total receivable balance (net of allowance for doubtful accounts) per the EMS records was \$418,406, which is \$103,900 more than the calculated receivable balance of \$314,506.

Cause – Policies have not been established and procedures have not been implemented to reconcile ambulance billings, collections and receivables or to compare receipts and deposits.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – Lee County EMS Ambulance, Inc. should establish policies and implement procedures to reconcile ambulance billings, collections and delinquent accounts for each billing period. Receipts recorded in the ambulance billing system should be reconciled to deposits by an independent person.

Response – We will try to develop written procedures to perform reconciliations of ambulance billings, collections and delinquent accounts. Receipts recorded in the billing system will be reconciled to deposits.

Conclusion – Response accepted.

II-E-20 Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The County Attorney and the Three Rivers Conservation Foundation have a debit card available for use. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The County Attorney and the Three Rivers Conservation Foundation should prohibit the use of debit cards for purchases.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Responses

- (a) County Attorney – The recommendation is duly noted. The debit card purchases in the office are primarily limited to postage from the U.S. Post Office.
- (b) Three Rivers Conservation Foundation – We will research other options, such as a credit card.

Conclusions

- (a) County Attorney – Response acknowledged. The County Attorney should prohibit the use of debit cards.
- (b) Three Rivers Conservation Foundation – Response accepted.

II-F-20 Ambulance Credit Card Policy

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Lee County EMS Ambulance, Inc. has credit cards for use by various employees while on EMS business. Lee County EMS Ambulance, Inc. has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the EMS Board.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – Lee County EMS Ambulance, Inc. should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We will work to develop a written credit card policy.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

II-G-20 Ambulance Capital Asset Policy

Criteria – Internal controls over financial reporting includes establishing policies and procedures for reporting different types of account classes, including capital assets.

Condition – Lee County EMS Ambulance, Inc. has capitalized assets that will be used for an extended period of time. Lee County EMS Ambulance, Inc. has not adopted a formal policy to determine what should be capitalized as an asset, including a capitalization threshold and the types of assets to be capitalized.

Cause – Adoption of a formal policy to capitalize assets has not been prioritized by the EMS Board.

Effect – Lack of written policies and procedures to capitalize assets could result in a material amount of assets not being capitalized, which would result in materially misstating the condition of the EMS in the financial statements.

Recommendation – Lee County EMS Ambulance, Inc. should adopt a formal written policy for the capitalization of assets. The policy, at a minimum, should establish capitalization thresholds and what types of assets should be capitalized.

Response – We will work to develop a capital asset policy.

Conclusion – Response accepted.

II-H-20 Ambulance Internal Control

Criteria – Internal controls over receipts, expenses, payroll and cash helps prevent losses from employee error or dishonesty and maximizes the accuracy of the financial statements.

Condition – Deficiencies in internal control were identified in the following areas:

Receipts – Checks are not restrictively endorsed immediately upon receipt, and undeposited cash receipts are not adequately protected.

Expenses – Voided checks are not retained.

Payroll – Timesheets are not prepared by salaried employees.

Cash – While bank reconciliations were prepared, they were not reviewed timely (within one month) for 9 months. Also, the bank reconciliation for one month was not available.

Cause – Procedures have not been designed and implemented to ensure necessary internal controls are in place to cover receipts, expenses, payroll and cash.

Effect – A lack internal control can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – Lee County EMS Ambulance, Inc. should ensure necessary internal controls are in place to cover receipts, expenses, payroll and cash.

Response – We will review our controls to try to make changes where possible to obtain maximum internal controls given our limited staff.

Conclusion – Response accepted.

II-I-20 Ambulance Surety Bond

Criteria – Management is responsible for establishing and maintaining internal control. A key part of internal control is the safeguarding of assets and a part of this is to have surety bond coverage to protect against loss due to employee theft.

Condition – The Lee County EMS Ambulance, Inc. has surety bond coverage which specifically covers the employee 401K plan, but there is no coverage for employee theft of other assets.

Cause – Ambulance management has not considered this type of coverage to be necessary.

Effect – The Lee County EMS Ambulance Inc. is not currently covered for losses caused by employee theft.

Recommendation – The Lee County EMS Ambulance, Inc., should obtain surety bond coverage to protect against losses caused by employee theft.

Response – We will obtain sufficient insurance coverage.

Conclusion – Response accepted.

II-J-20 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – Bank reconciliations were not prepared for the Conservation's account and the Great River Progressive Housing's accounts.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank balances are complete and accurate to ensure proper accounting for all funds.

Effect – A lack of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – Conservation and Great River Progressive Housing should prepare bank reconciliations and have an independent person review the reconciliations for propriety. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses

Conservation – We will begin preparing monthly bank reconciliations and have an independent person review them. The Director and Office Manager will work with the County Auditor's office to have an independent review of the bank reconciliations.

Great River Progressive Housing – We will begin preparing monthly bank reconciliations and have an independent reviewer. These reconciliations will be printed, initialed by the reviewer and date stamped on the date of the review.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 93.590: Community-Based Child Abuse Prevention Grants
Pass-through Entity Identifying Number: ACFS-19-059
Federal Award Year: 2020
Prior Year Finding Number: NA
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Services

CFDA Number 93.870: Maternal, Infant and Early Childhood Home Visiting Grant
Pass-through Entity Identifying Number: 5889CH06, 5880CH06
Federal Award Year: 2020
Prior Year Finding Number: 2019-001
U.S. Department of Health and Human Services
Passed through the Iowa Department of Public Health

CFDA Number 93.994: Maternal and Child Health Services Block Grant to the States
Pass-through Entity Identifying Number: 5889MH11, 5880MH11
Federal Award Year: 2020
Prior Year Finding Number: 2019-001
U.S. Department of Health and Human Services
Passed through the Iowa Department of Public Health

III-A-20 Segregation of Duties over Federal Revenues – The County Health
(2020-001) Department did not properly segregate custody, record-keeping and
reconciling functions for revenues, including those related to federal
programs. See item II-A-20.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- IV-B-20 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-20 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-20 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sherry Hartson, County Engineer's office son-in-law owns Helliege Lawn Care	Snow removal/mowing	\$ 2,625
Tammy Wilson, Financial Director of Public Health, husband is a shareholder in Agrineed Inc.	Supplies and maintenance other County departments	12,924
Denise Fraise, County Auditor, brother	Work on electric pump, pump master and taxes for Green Bay Drainage District	915

The transactions with Agrineed, Inc. do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(d) since the employee's salary is not directly affected by the transactions and the duties of employment do not directly involve procurement or preparation of any part of the transactions.

The transactions with Helliege Lawn Care and the County Auditor's brother do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since total transactions were less than \$6,000 during the fiscal year.

- IV-E-20 Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- IV-F-20 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-G-20 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-20 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

IV-I-20 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-20 Early Childhood Iowa Area Board – The County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Custodial Funds because of the County's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

IV-K-20 Lee County Public Safety Answering Point Association – The Lee County Public Safety Answering Point Association is operated under the authority of Chapter 28E of the Code of Iowa. Chapter 28E(6)(3) of the Code of Iowa requires the Lee County Public Safety Answering Point Association to publish a summary of the proceedings of each regular, adjourned, or special meeting. For two meetings tested, the minutes were not published within 20 days following the meeting's adjournment, as required by Chapter 28E(6)(3).

Recommendation – The Lee County Public Safety Answering Point Association should ensure minutes are published timely, as required.

Response – We will begin publishing minutes within 20 days after the meeting has adjourned as required.

Conclusion – Response accepted.

IV-L-20 Sheriff Unclaimed Property – Chapter 556.11 of the Code of Iowa requires checks outstanding for more than two years at June 30 be reported and remitted to the Office of Treasurer of State. The County Sheriff did not report and remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years should be reported and remitted to the Office of Treasurer of State as required.

Response – The County Sheriff will research the outstanding checks and remit to the Treasurer of State, as required.

Conclusion – Response accepted.

Lee County

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

IV-M-20 Ambulance Annual Report – Under the contract between Lee County and Lee County EMS Ambulance, Inc., the EMS will provide an annual financial report to the “Administrator”, who is identified as the Lee County Board Chair, within 30 days after the close of the EMS year of December 31. The annual financial report was not provided to the County.

Recommendation – The Lee County EMS should provide the annual financial report, as required.

Response – We will submit the annual financial report to the County timely, as required.

Conclusion – Response accepted.

IV-N-20 Ambulance Payroll Taxes – Lee County EMS Ambulance, Inc. had \$207,601 of federal and state payroll taxes accrued at the end of 2019 which were not paid for more than one month after the end of the quarter the taxes were accrued in. EMS is a semi-weekly schedule depositor for payroll taxes. Some payments for taxes for quarter January-March 2019 were not paid until October, November and December 2019.

Recommendation – Lee County EMS Ambulance, Inc. should ensure that all payments to the IRS and the state are made timely.

Response – In the future, payroll taxes will be remitted timely to both the IRS and state.

Conclusion – Response accepted.

Lee County

Staff

This audit was performed by:

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